

## Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 IO-13 ISO-00 L-03 AGRE-00  
CIAE-00 COME-00 INR-07 LAB-04 NSAE-00 SP-02  
STR-05 TRSE-00 FRB-03 OMB-01 STRE-00 INRE-00  
SSO-00 /069 W

-----077972 111530Z /53

O 111517Z NOV 77  
FM USMISSION GENEVA  
TO SECSTATE WASHDC IMMEDIATE 2962  
INFO AMEMBASSY BRUSSELS PRIORITY  
AMCONSUL HONG KONG

C O N F I D E N T I A L GENEVA 10194

BRUSSELS FOR USEEC

PASS STR ELECTRONICALLY FOR MIKE SMITH

E.O. 11652: GDS  
TAGS: ETRD, EEC  
SUBJECT: TEXTILES: EC BILATERAL NEGOTIATIONS

REF: (A) HONG KONG 13828, (B) BRUSSELS USEC 15085

1. MACAU NEGOTIATORS REPORTED ACCEPTANCE OF EC'S  
"PRICE CLAUSE" (REF A) IS PERHAPS MOST DISTURBING  
DEVELOPMENT TO DATE IN EC'S BILATERAL EFFORTS. ASIDE  
FROM FACT THAT NEGOTIATION THIS CLAUSE IS 180 DEGREES  
OFF THE "REASSURANCE" GIVEN USEC OFFICER (PARA 4 REF B),  
IT WOULD APPEAR FROM THIS AND OTHER INTELLIGENCE  
AVAILABLE GENEVA THAT EC, AT LEAST IN CONTACTS WITH  
NEGOTIATING PARTNERS TO DATE, REMAINS FIRM ON TERMS  
IT PUT FORWARD IN ITS "DRAFT AGREEMENT."

2. U.S. REP HAS SEEN COPY OF THE "STANDARD" MEMORANDUM  
OF UNDERSTANDING WHICH EC HAS INITIALLED WITH FIVE  
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EXPORTING COUNTRIES. TWO PARAGRAPH MEMO REFERS TO  
AGREED "EXPORT RESTRAINT" LEVELS ESTABLISHED IN ANNEX  
AND INCLUDES CAVEAT THAT UNDERSTANDING ON LEVELS IS  
CONTINGENT ON SUBSEQUENT AGREEMENT ON OPERATIVE PROVI-  
SIONS. OF COURSE, NONE OF THIS WOULD PRECLUDE POSSI-  
BILITY THAT EC HAS ALREADY REACHED UNDERSTANDINGS  
ON SOME OR ALL OPERATIVE PROVISIONS IN SOME OR ALL

OF THE MEMORANDA INITIALLED.

3. WHILE IT APPEARS LIKELY THAT EC NEGOTIATORS MAY HAVE VERY LITTLE FLEXIBILITY ON NUMBERS, AT LEAST IN SENSITIVE CATEGORIES WITH MAJOR SUPPLIERS, THERE IS SOME EVIDENCE THAT THEY MAY HAVE (OR CAN GET) FLEXIBILITY ON OPERATIVE PROVISIONS. IF EC PROCEEDS WITH NEGOTIATION OF SUCH FEATURES AS PRICE CLAUSES AND SIMILAR OBJECTIONABLE OPERATIVE PROVISIONS WHICH, IN EFFECT, COMPLETELY NULLIFY THE MFA, THEIR NEGOTIATIONS WITH THE MAJOR PLAYERS ARE NOT LIKELY TO SUCCEED. SHOULD THEY PROCEED IN THIS WAY, WHETHER OR NOT THEY SUCCEED, THE U.S. IS PLACED IN A DIFFICULT SITUATION.

4. IT SEEMS TO U.S. REP THAT WE SHOULD MAKE ONE LAST EFFORT TO CONSULT WITH THE COMMISSION IN AN EFFORT TO EXPLAIN IN TECHNICAL DETAIL WHAT THE U.S. CAN BE EXPECTED TO TOLERATE WITHOUT SERIOUS DOMESTIC REPERCUSSIONS. WHILE THERE IS NO ASSURANCE THAT THE EC WILL "LEVEL" WITH US ANY MORE THAN THEY HAVE IN THE PAST, WE WILL HAVE MADE A LAST EFFORT. PERHAPS WE CAN CONVINCE THEM THAT A MORE MODERATE APPROACH ON OPERATIVE PROVISIONS, COUPLED WITH SOME OPTICS ON THEIR ESSENTIAL TARGET NUMBERS, COULD GET THE COMMUNITY OFF THE COLLISION COURSE WITH US WHICH THEY NOW APPEAR TO BE ON.

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5. IT WILL BE RECALLED THAT TRAN HAD INVITED SMITH AND OTHERS TO CONSULT "AT ANY POINT DURING EC'S NEGOTIATIONS." AT LEAST, AFTER GOING THROUGH SUCH A STEP, WE COULD FINALLY DETERMINE WHETHER OR NOT EC IS JUST "BLOODY MINDED" ABOUT THE MFA. IF NOT, THERE MAY BE SOME THINGS WE COULD DO TO HELP WITH THE LDC'S. IF SO, THEN IT IS HIGH TIME THE CAN BE TIED WHERE IT BELONGS. VANDEN HEUVEL

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## Message Attributes

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**Disposition Approved on Date:**  
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**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
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**TAGS:** ETRD, EEC  
**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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